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Message Text

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ORIGIN L-03

INFO OCT-01 AF-10 EUR-25 ADP-00 SSO-00 NSCE-00 USIE-00

INRE-00 SS-14 NSC-10 AID-20 CEA-02 CIAE-00 COME-00

EB-11 EA-11 FRB-02 INR-09 IO-12 NEA-10 NSAE-00 RSC-01

OPIC-12 TRSE-00 CIEP-02 LAB-06 SIL-01 SAL-01 OMB-01

INT-08 XMB-07 FPC-01 (ADP) R

DRAFTED BY L/ AF: KHUFFMAN: AF: RSSMITH: LS
3/17/73 EXT29478
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EXIM - MR. STRANG (SUBS)
TREAS - MR. HENNESSY (INFO)
AF/ N - MR. BLAKE (INFO)
S/ S- O: W. NEWLIN
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E. O. 11652: GDS
TAGS: ENRG, AG
SUBJECT: EXIM - SONATRACH NEGOTIATIONS

LONDON FORUNDERSECRETARY CASEY
LISBON FOR ASSISTANT SECRETARY NEWSOM

1. ON BASIS OF RESULTS OF MARCH 16 MEETINGS BETWEEN EXIM AND SONATRACH LAWYERS, AND SUBSEQUENT CONVERSATIONS WITH SONATRACH AND EL PASO OFFICIALS, CURRENT STATUS OF EXIM-EL PASO NEGOTIATIONS IS AS FOLLOWS:
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2. REMAINING SUBSTANTIVE LEGAL ISSUES CONCERNING GUARANTEE AGREEMENT RESOLVED IN MARCH 16 NEGOTIATIONS. FINAL DRAFTING OF LEGAL ISSUES WILL HOPEFULLY BE COMPLETED OVER THIS WEEKEND.

3. EXPECT COMPLETION OF FINANCIAL NEGOTIATIONS AND DRAFTING AS WELL OVER WEEKEND.

4. FYI: EXIM BOARD WILL THEN REVIEW GUARANTEE AGREEMENT EARLY IN WEEK OF MARCH 19. PRESUMED PRELIMINARY AGREEMENT WILL THEN BE PRESENTED TO NAC WITH APPROVAL ANTICIPATED DURING THE WEEK, TO BE FOLLOWED BY FORMAL EXIM BOARD APPROVAL. END FYI

5. THERE REMAINS TO BE NEGOTIATED THE BASIC CREDIT AGREEMENT BETWEEN SONATRACH AND EXIM WHICH MUST HAVE CONCURRENCE OF PARTICIPATING PRIVATE BANKS. ACCORDING TO SONATRACH REPRESENTATIVE, THEY WILL BE IN NEW YORK EARLY IN WEEK SEEKING DESIGNATE FIRST NATIONAL CITY BANK AS LEADER OF PRIVATE BANKS. FNCB HAS INDICATED TO SONATRACH IT CAN PUT FINANCING TOGETHER WITHIN THREE DAYS OF BEING SO DESIGNATED. EL PASO OFFICIAL CONFIRMS ABOVE. EXIM WILL THEN ENDEAVOR TO COMPLETE CREDIT AGREEMENT NEGOTIATIONS BY MARCH 27 OR 28.

6. EL PASO REQUIRES COMPLETION OF NEGOTIATIONS BY MARCH 38 TO AVOID CRITICAL ESCALATION PROVISION IN CHEMICO CONTRACT FOR LNG STORAGE TANKS. THUS, TIMING OF ACTIONS CITED IN PARAS 4 AND 5 CRITICAL.

7. BEFORE EVERYTHING CAN BE WRAPPED UP, HOWEVER, FPC MUST DECIDE THAT COVE POINT PLANT DOES NOT AFFECT ENVIRONMENT. FPC HAS FULL INFORMATION REQUESTED OF COMPANIES AND HAS GONE OVER SITE CAREFULLY. COLUMBIA AND CONSOLIDATED NATURAL GAS ARE HOLDING BACK FROM AGREEMENT WITH EL PASO (AND HENCE GIVING FURTHER REASON FOR EL PASO NOT TO MAKE FINAL COMMITMENT TO CHEMICO) UNTIL FPC FAVORABLE DECISION. NEGATIVE FPC DECISION WOULD MEAN NO ASSURANCE TO THEM ON WHEN TERMINAL COULD BE BUILT AND HENCE THEIR UNWILLINGNESS TO CONTRACT FOR THE GAS. EL PASO HOPES FOR FAVORABLE FPC DECISION WEEK OF CONFIDENTIAL

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MARCH 19.

8. ACCORDING TO EL PASO OFFICIAL, GHOZALI HAS TOLD EL PASO THAT HE WOULD AGREE TO FIRMING UP CHEMICO CONTRACT ONCE FPC HAS ACTED FAVORABLY AND ONCE EXIM HAS APPROVED PROJECT, EVEN IF FINAL DETAILS WITH PRIVATE BANKS NOT QUITE SIGNED, SEALED AND DELIVERED. GHOZALI FLEW TO ALGIERS AND PARIS FOR WEEKEND IN EL PASO PLANE FOR FINAL TALKS WITH BOUMEDIENE AND ABDESSELHAM. HE WILL RETURN NEW YORK SUNDAY NIGHT FOR FNCB AND OTHER BANK MEETINGS MONDAY. ROGERS

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